



Risk Committee – Meeting #1

Alex Mashinsky, CEO

Daniel Leon, President & COO

Roni Pavon, CRO

Harumi Urata-Thompson, CFO & CIO

By Patrick Holert, CFA, CAIA, ERP
Financial Risk Officer
12/11/20



Purpose of Risk Committee

The purpose of the risk committee is to take a multidisciplinary, integrative approach to evaluating opportunities and assessing risks. Through combining perspectives of key people from different business units, we aim to make better use of Celsius's resources, and more effective decisions as a company.

Members of the risk committee should include:

Chairs	- Daniel Leon, Patrick Holert
All activities	- Alex Mashinsky, CEO
All activities	- Roni Pavon Cohen, CRO
Operations	- Daniel Leon, President & COO
Financial	- Harumi Urata-Thompson, CFO & CIO
Technology	- Shiran Kleiderman, CSO
Legal / Compliance	- Jeremie Beaudry, CCO & General Counsel
Human Resources	- Trunshedda Ramos, VP of People

Scope of work. Significant decisions and risk exposures should be evaluated by the risk committee. This could, but not be limited to: budgets, hiring decisions, vendor contracts, computer systems, deployment of assets, and investments.

Comments on risk. Succeeding as a company depends on efficiently allocating capital, understanding and managing the risks taken, and earning appropriate returns for those risks.



Risk Team Desired

Current Personnel:

- **Patrick Holert**, financial risk officer, is responsible for all financial risk activities.
- **Graham Novitch**, financial analyst, performs supporting research on risk activities.

Future Personnel:

- **Risk Manager.** Performs credit analysis on borrowers and monitors trading positions.
- **Quantitative Analyst.** Performs quantitative modeling of risks.
- **Policies and Procedures Specialist.** Works with leaders of business groups to write policies and procedures, including for regulations and industry standards, such as ISO.
- **Internal Audit.** Reviews processes of business groups for compliance with policies and procedures.
- **Emergency Planning.** Prepares emergency plans for company.
- **Securities compliance.** Once Celsius registers with the SEC and CFTC, it will be necessary to hire a compliance officer to supervise securities and futures/options activities.



Overview of financial risks at Celsius



Financial Risk Activities

- **Initial credit analysis** – Before credit is extended, counterparties are reviewed and their credit risk assessed. Following this, a decision is made on whether to extend credit, and on credit limits.
- **Ongoing credit reviews** – Ongoing reviews are performed on a periodic basis to evaluate changes in credit risks for borrowers.
- **Manage problem loans** – Negotiate with borrowers for collateral, and close loans.
- **Review, structure and negotiate agreements** – Commercial terms of agreements are reviewed to make sure that they are fair and beneficial to Celsius.
- **Complex calculations** – Perform complex calculations as required by finance group.
- **Monitor Defi activities** – Review and set limits on Defi activities.
- **Evaluate investments** – Assess investment opportunities.
- **Regulatory compliance** – Forecasts and “Risk Assessment Report on Financial Risks” for the FCA.
- **Research new business** – Prepare groundwork for new business opportunities.



Celsius Portfolio of assets

Celsius has USD1.7bil of diverse assets deployed in: loans 44%; equity investments 11%; deposits at exchanges 5%; Defi 22%, collateral for USD loans 14%, and other assets 4%.

As a matter of overall risk, note that I am researching comprehensive insurance coverage.

				Adjusted		
		Assets		Collateral		
Type	Assets	USDmil	%Total	USDmil	Exposure	Risks
Loans	Retail Loans	111	6.6	386	(275)	Over collateralized, minimal risk
	Institutional Loans	598	35.4	299	299	Managed credit risk
	Equipment finance/leasing	41	2.4	41		Backed by equipment
Equity	Grayscale shares	178	10.5	NA		Coin risk is hedged
	BTC Mining	10	0.6	10		Market risk of BTC prices
Deposits	Bitfinex Exchange	56	3.3	NA		Market risk of coin prices
	Other Exchanges	21	1.2	NA		Market risk of coin prices
Defi	KeyFi	225	13.3	NA		Platform risk
	Celsius AMM	144	8.5	NA		Platform risk
Collateral	Col for USD104mil bor from EFH/QCP	231	13.7	NA		Margin calls on BTC/ETH
Other	Other assets	74	4.4	NA		Includes ETH 2.0, Fractal & Staking
	Total Deployed	1,689				
Note: Adjusted collateral includes assets for Intership and Oiltrading.						

Notes: talk to Sid about adding to Instilend, add targets and best practices



Managing Credit Risk is Key

Credit Risk is our primary concern in managing assets. Before extending credit, I interview principals from potential borrowers to understand their business activities, use of loan proceeds, and financial situation. Afterwards, I add a credit profile on the borrower to the Instilend system to provide guidance to the trading desk on whether to extend credit, and if so on acceptable risks to take with the borrower. The credit profile includes one of the following credit ratings:

Credit Ratings	Definition
AAA	Extremely strong capacity to repay debt
AA	Very strong capacity to repay debt
A	Strong capacity to repay debt
BBB	Adequate capacity to repay debt
BB	Semi-adequate capacity to repay debt
B	Vulnerable with capacity to repay debt
CCC	Vulnerable to not repay debt
CC	Highly vulnerable to not repay debt
C	Default on debt is likely
D	Default

In the credit profile, links to additional details are available by clicking on “Credit Review Report” and “Financial Statement”. Following is an example of a credit review for Akuna.

Notes: Insurance on Cumberland, explore counterparty insurance, Mueller, crypto specialist firm in MN, cover some counterparties, not all



Example of a credit profile in Instilend

Notes: Ask Sid to block going over credit limits

Name of Company Akuna Digital Assets LLC	Category Hedge/Investment fund	Registered Country IL
Reviewed By patrick.holert@celsius.network	Review Date * 7/6/2020	
Credit Limit \$50,000,000.00	Collateral Percentage	Margin Percentage 15.00%
Last Financial Statement Date 11/30/2019	Net Leverage 0.60	Current Ratio 1.50
Credit Score * A-Strong capacity to repay debt	<input type="checkbox"/> Margin/Reverse Call Per Collateral	
Assets \$8,865,484.90	Liabilities \$1,500,000.00	Net Exposure -\$7,365,484.90
Collateral % 16.92%	Net Exposure/Credit Limit(%) -14.73%	
Credit Review Report	Financial Statement	
Credit Review Link https://drive.google.com/file/d/1hCZuFK-uDCII4r2rivG8WC	Financial Statement Link https://docs.google.com/spreadsheets/d/1L-NAFHP2qs0	

Credit Review Summary

Akuna Digital is a fully owned subsidiary and the crypto arm of Akuna Capital, a very large, successful, quantitative trading company. Akuna Digital has inherited effective trading and risk management technologies from its parent, and appears to be conservatively managed with net leverage of 0.6X and a current ratio of 1.5X.



Uncollateralized loans account for less than 5% of deployed assets

For uncollateralized loans without restrictions, we need to be highly confident that the borrower has a strong credit rating and are financially healthy. Over time, we have experienced pressure from our new business efforts to increase uncollateralized loans. The uncollateralized loans with restrictions are legacy loans that are being restructured.

Borrowers - Uncollateralized with no restrictions							
Borrower	Rating	Credit Limit	Loans	Collateral	Exposure	%Collateral	Notes
B2C2 LTCD	BBB	10,000,000	1,238,775	-	1,238,775	0.00%	
Blue Fire Capital	BB	5,000,000	-	-	-	NA	Acquired by Galaxy Digital
Cumberland DRW LLC	BBB	50,000,000	47,758,219	-	47,758,219	0.00%	
FalconX Limited	BBB	15,000,000	5,999,400	-	5,999,400	0.00%	Repo desk for short term loans
Flow Traders BV	A	60,000,000	-	-	-	NA	
JSCT Hong Kong Limited	BBB	10,000,000	3,315,271	-	3,315,271	0.00%	Jump Trading in Hong Kong
JUMP Trading	BBB	50,000,000	10,010,000	-	10,010,000	0.00%	
Total			68,321,665	-	68,321,665		
Borrowers - Uncollateralized with restrictions							
Borrower	Rating	Credit Limit	Loans	Collateral	Exposure	%Collateral	Notes
Iterative OTC LLC	C	-	7,429,243	-	7,429,243	0.00%	Collateral coming, no further loans
JST Systems LLC	CC	2,000,000	4,630,812	-	4,630,812	0.00%	Restructuring, no new loans
Tagomi Trading LLC	B	-	701,550	-	701,550	0.00%	Only fully collateralized for new loans
Transfero Brasil Pagamentos SA	B	-	990,565	-	990,565	0.00%	Only fully collateralized for new loans
Total			13,752,170	-	13,752,170		

Notes: dcred from Iterative, coins back from JST, possibly more credit to Tagomi, review Transfero



For most institutional loans, risk is mitigated by collateral

More than 86% of our institutional loan portfolio value is backed by collateral.

Borrowers - Partial collateral							
Borrower	Rating	Credit Limit	Loans	Collateral	Exposure	%Collateral	Notes
Akuna Digital Assets LLC	A	50,000,000	8,865,485	1,500,000	7,365,485	16.92%	
Alameda Resarch Ltd	BBB	60,000,000	128,347,264	19,585,442	108,761,822	15.26%	Not concerned, but want to reduce exposure
Amber Technologies Limited	A	20,000,000	22,755,117	5,900,795	16,854,322	25.93%	
Blockchain Access UK Ltd	B	-	2,312,704	448,398	1,864,306	19.39%	Only fully collateralized for new loans
Dunamis Trading LLC	BB	3,000,000	13,050,736	8,025,216	5,025,520	61.49%	
DV Chain LLC	BB	5,000,000	3,654,943	2,788,643	866,300	76.30%	
Galaxy Digital LLC	AA	50,000,000	13,081,687	4,744,810	8,336,877	36.27%	
Genesis Global Capital LLC	BBB	60,000,000	45,963,505	29,514,305	16,449,200	64.21%	
Hehmeyer LLC	A	6,000,000	978,813	761,010	217,803	77.75%	
Kenetic Trading Ltd	BBB	15,000,000	21,138,771	2,471,894	18,666,877	11.69%	
LedgerPrime DAO Master Fund LP	A	15,000,000	-	-	-	NA	
OSL SG PTE LTD	BBB	8,000,000	3,805,824	1,314,227	2,491,597	34.53%	
Profluent Trading UK Limited	BBB	15,000,000	25,475,423	8,700,500	16,774,923	34.15%	
Reliz LTD	BBB	20,000,000	9,303,582	6,839,816	2,463,766	73.52%	
Tether International Limited	AA	20,000,000	51,419,264	41,321,280	10,097,984	80.36%	
Three Arrows Capital Ltd	BBB	20,000,000	68,058,759	34,265,017	33,793,742	50.35%	
Wintermute Trading Ltd	BB	12,000,000	13,318,243	1,285,654	12,032,589	9.65%	
			431,530,120	169,467,006	262,063,114		

Notes: Get USDT from Alameda, bring down exposure, try to get more cash collateral all borrowers, get parent guarantee for Genesis, then expand exposure, Digital Currency Group is parent, try to get more collateral out of Kenetic, funds are USD denominated, lock deposits for Profluent



Fully Collateralized Loans + Lenders

Factoring in collateral for Internship and Oiltrading, more than 14% of institutional loans are fully collateralized. Inadequate reporting makes risk statistics in Instilend confusing. Some collateral assets are not reported, while lenders should be accounted for differently than borrowers.

Borrowers - Full or Excess Collateral							
Borrower	Rating	Credit Limit	Loans	Collateral	Exposure	%Collateral	Notes
BCRS2 LLC	B	-	357,370	484,221	(126,851)	135.50%	
Future Technology Investment	B	-	200,200	440,141	(239,941)	219.85%	
Intership Limited	BBB	20,000,000	9,149,980	-	9,149,980	0.00%	Collateral not reported on Instilend
Kohji Hirokado	B	-	4,010,155	19,054,395	(15,044,240)	475.15%	
Liquibit	BB	250,000	250,250	288,504	(38,254)	115.29%	
Liquid Technologies LTD	B	-	2,389,936	2,200,565	189,371	92.08%	
OILTRADING COM PTE LIMITED	A	20,000,000	14,200,000	-	14,200,000	0.00%	Collateral not reported on Instilend
OPTIMAL ALPHA MASTER FUND LTD	B	-	858,526	1,938,921	(1,080,395)	225.84%	
Power Block Coin LLC	A	50,000,000	35,823,140	43,919,011	(8,095,871)	122.60%	
Roy Niederhoffer	B	-	17,087,815	37,909,135	(20,821,320)	221.85%	
			84,327,372	106,234,893	(21,907,521)		
Lenders							
Borrower	Rating	Credit Limit	Loans	Collateral	Exposure	%Collateral	Notes
Equities First Holdings	A	20,000,000	227,011,599	101,318,488	125,693,111	44.63%	Should not be categorized as loans
QCP Capital PTE LTD	BBB	-	4,071,974	2,500,500	1,571,474	61.41%	Should not be categorized as loans



Mining Equipment

Celsius has committed USD51mil for BTC mining equipment. There is a limited supply of such equipment, and many miners are not able to find available equipment to purchase. Recently, Celsius provided financing to Core Scientific, which operates large hosting centers in the US, to purchase their entire order of ASIC equipment from Bitmain for delivery in 2Q21. As this is short term financing, Core is introducing miners to Celsius to negotiate lease financing for this equipment.

Included in the exposure, Celsius has committed USD10mil to purchase our mining equipment, and this will be operated by Argo Blockchain at Core's facilities. The returns on mining are currently very high, especially with BTC at current prices. Along with this, we are providing USD10mil of lease financing for Argo to purchase machines.

Additionally, we have issued loans of USD4mil to Blockfills to purchase mining equipment, which it is leasing to Vaerus Mining and Bitfarms. As we can negotiate better terms directly, we have discontinued using Blockfills as a deal broker.

For leasing deals, Celsius has a first lien on equipment and then a claim on other corporate assets until repaid. As the Core deal is short term, we only have a claim on equipment, but will turn this into a more secure claim as we lease the equipment to miners.

Use of funds	Company	Equipment	USDmil	Notes
Mining	Celsius	Bitmain Antminer S19 and S19 Pro	10	Services agreement with Argo
Equipment finance	Core Scientific	Bitmain Antminer S19 and S19 Pro	27	Celsius seeks lessees for equipment
Lease	Argo Blockchain	Bitmain Antminer S19 and S19 Pro	10	
Loan	Loan to Blockfills, lease to Vaerus Mining	Bitmain Antminer S19 and S19 Pro	3	BTC Loan
Loan	Loan to Blockfills, lease to Bitfarms	Whatsaminer Micro BT M31S	1	
Total			51	



Grayscale Shares

Our investments in the Grayscale funds do not incur any credit risk, and are fully hedged against charges in market prices. Because of market inefficiencies in how institutional investors are allowed to invest coins for shares, and then sell the shares to retail investors, these funds trade at significant premiums to net asset values. As lockup periods expire, Celsius stands to make substantial returns on the shares.














The downside to holding the shares is limited to market efficiency. Once the shares are priced efficiently, they should trade at their net asset value less the 2%/year of management fees.

									Cost to replace	Anticipated		Annualized
	Date		Number of	Net Asset Value		Price of fund	Market Value	Token Price	Tokens	Profits	Date to	Return
Fund	Invested	Tokens	Tokens	USD	Shares	USD	USD	USD	USD	USD	Unlock	%
BTC Trust	7/31/2020	BTC	1,066.00	11,781,733	1,112,532	20.86	23,207,418	18,725.00	19,960,850	3,246,568	1/29/2021	52.5
BTC Trust	11/5/2020	BTC	7,500.00	104,333,174	7,869,103	20.86	164,149,489	18,725.00	140,437,500	23,711,989	5/6/2021	47.7
ETH Trust	7/31/2020	ETH	40,677.00	13,110,177	434,368	96.55	41,938,230	500.00	20,338,500	21,599,730	1/29/2021	128.4
ETH Trust	11/5/2020	ETH	100,000.00	39,344,972	1,074,966	96.55	103,787,967	500.00	50,000,000	53,787,967	5/6/2021	116.9
ETC Trust	8/1/2020	ETC	80,000.00	591,195	88,256	8.53	752,824	5.87	469,600	283,224	1/30/2021	69.2
ETC Trust	11/5/2020	ETC	150,000.00	722,991	166,792	8.53	1,422,736	6.27	939,750	482,986	5/6/2021	81.7
XRP Trust	7/31/2020	XRP	9,952,032.00	2,421,068	105,717	27.84	2,943,161	0.291	2,893,056	50,106	1/29/2021	14.4
BCH Trust	7/31/2020	BCH	8,800.00	2,544,918	943,300	33.96	32,034,468	258.85	2,277,880	29,756,588	1/29/2021	341.9
LTC Trust	7/31/2020	LTC	48,066.00	2,696,021	510,593	425.00	217,002,025	66.18	3,181,008	213,821,017	1/29/2021	890.6
Total				177,546,250			587,238,318		240,498,144	346,740,174		



KeyFi Distributed Finance

Reserves are simply managed for levels of potential withdrawals, and software controls the balances in the main and frictional wallets. is currently USD227mil. While there is risk involved in these activities, we are comfortable with the platforms and exposure, while the returns generated are fully compensating Celsius for this risk. KeyFi is further addressing risks for its activities through engaging Quantstamp to evaluate and monitor the DeFi platforms, and in seeking insurance coverage. Note that we need to better understand the BarnBridge platform and the activities there.

 Compound	\$39,379,709.90	 Cream	\$135,189.80	 Uniswap	\$70,479,082.16
 Aave	\$20,411,942.73	 Curve	\$2,859,161.41	 Yearn	\$14,570,518.24
 Dodo	\$2,310,166.48	 Sushiswap	\$16,120,287.23	 Harvest	\$51,293,273.75
 BarnBridge	\$7,994,657.00	 Empty Set	\$655,264.71	 KeeperDAO	\$9,030,564.86
 Badger	\$11,311,976.13				



Celsius Trading Desk – Automated Market Making

Our exposure to AMM is currently USD144mil. The activities in this area are on acceptable exchanges and within reasonable limits.

Coin	Uniswap	Coin	Compound	Coin	MakerDAO	Coin	CREAM	Coin	Yearn	Coin	Curve
ETH	\$26,071,911.00	ETH	\$28,341,000.00	BAT	\$9,910,000.00	UNI	\$1,893,376.80	DAI	\$1,886,138.25	Stables	\$10,000,000.00
USDT	\$25,836,400.00	wBTC	\$37,525,824.00	DAI	-\$602,348.90	ETH	\$3,928,545.00	TUSD	\$2,602,546.93		
ETH	\$11,502,828.00	DAI	-\$12,883,000.00								
wBTC	\$11,321,484.16	USDC	-\$13,317,000.00								
Total	\$74,732,623.16	Total	\$39,666,824.00	Total	\$9,307,651.10	Total	\$5,821,921.80	Total	\$4,488,685.18	Total	\$10,000,000.00